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THE PROBLEM OF SECURING EFFICIENCY IN MUNICIPAL LABOR

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With the present trend of public opinion strongly in favor of economic improvement in municipal as well as in private affairs, it is not surprising to note the current popularity of the expression "efficiency." Except to the few who have made a study of the subject, the extent of municipal inefficiency is almost unbelievable. Lacking the measure of efficiency in private enterprise, there can be no conception of the actual inefficiency of public service.

The average person is familiar with but few of the innumerable forms of municipal inefficiency. The public frequently encounters evidence of inadequate service in the way of filthy streets, disintegrated pavements and obstructed sewers. Less frequently may be observed extravagant performance as evidenced by the snail-like action, or total inaction of individuals or large gangs engaged in sweeping streets, repairing pavements or cleaning sewers and catch-basins. These familiar instances represent different manifestations of only one form of the evil, namely, inefficiency in the control of work ordinarily performed by municipal day labor.

Within the last five years the writer has had occasion to investigate for the Commissioners of Accounts in several of the boroughs of New York City, and for the Merriam Commission in Chicago, certain aspects of the efficiency of municipal labor. These investigations contemplated only a relative determination of efficiency in conclusive form. The procedure was extremely simple in theory and consisted in arranging for the accurate measurement of self-demonstrated inefficiency. First a series of secret observations of the labor forces was conducted. Later a duplicate series of observations, covering the same forces, was made openly. Careful records were kept in both cases. Performance under the first series obviously represents normal efficiency, whereas the critical inspection of the second series might be expected to develop that degree of efficiency

easily possible of attainment. Thus by comparison it was ascertained that these municipalities normally suffered a loss of efficiency in the forces examined varying from 40 per cent to 70 per cent. This, of course, represented virtually nothing except wasted time. While these investigations covered only a relatively small portion of the total labor employed in all departments of either city, it may be stated with the utmost assurance that the average efficiency of labor in any large municipality will not at the present time exceed 50 per cent.

The significance of this statement will be more apparent when the above percentage is applied to total expenditures for labor. For instance, the annual labor payroll of New York City approximates \$17,000,000. A loss in efficiency of fifty per cent means, therefore, a yearly waste of \$8,500,000.

In the business world success is frequently measured by the ability to learn and adopt the more effective methods of competitors. It is commonly asserted that per diem work conducted by a municipality is less economical than similar operations of its competitor, the private contractor. There is, however, no insuperable obstacle to prevent reduction of the disparity in cost to a negligible quantity, although perhaps not immediately. It should then be advantageous to compare the conditions which affect the efficiency of both contractor and municipality and apply the knowledge thus gained to municipal operations.

In the majority of the larger cities the work upon which day labor is employed includes a wide variety of functions. These functions, segregated according to a more or less natural classification, are usually exercised by separate departments or bureaus of the municipal government. As it appears in any such organization inefficiency may be divided into two general classes. First, inefficiency due to circumstances over which the administrative head of a department or bureau has no control, and, second, inefficiency due solely to his action or inaction.

Under the first class, the principal items are inefficiency due to

- (1) Procedure required by civil service laws and regulations.
- (2) Procedure required by fiscal authorities.
- (3) Conditions imposed by other legislation or regulation, either state or local.
- (4) Influence exerted by political interests.

In discussing the first of these items, it should not be inferred that a criticism of civil service principles is intended. It is rather that the application of those principles as normally made has become a serious handicap to efficiency. Through well intended efforts to prevent the appointment of undesirable employees and the removal of competent employees as practiced by the "spoils system" of partisan politics, proper consideration has not been given to the more important question of securing the appointment of desirable employees and expediting the removal of incompetent ones. The practical results of applied civil service are disheartening in the extreme to a municipal official anxious to secure efficiency.

The average competency of municipal labor selected by civil service methods is considerably lower than that employed by private interests. This is more noticeable in the class known as skilled labor. Here while the wages in public and private service are quite uniform, the competitive examination together with the accompanying uncertainty of immediate employment acts as a strong deterrent to those whose competency and consequent acceptability may be quickly determined by trial service in a private concern. Moreover, the so-called "Preferred Lists" of the civil service seriously affect the efficiency of municipal work. For the enlightenment of the uninitiated it may be explained that the preferred list is an institution designed to provide for preferential re-employment of individuals who have been laid off through reduction in force. Such reduction is naturally made by the dismissal of the least competent employees. Again, owing to the unpleasant and sometimes extremely difficult task of removing incompetent and undesirable employees on charges, it is not uncommon to find the superior official shirking his plain duty by allowing the names of such employees to be placed on the preferred list. Subsequent reappointment then becomes a certainty.

The titles of civil service positions constitute a further barrier to efficiency, since no employee may be legally utilized to perform duties other than those specified by his title. The significance of this factor cannot be appreciated without a full knowledge of the existing nomenclature of municipal labor. The absurdity of this provision from a practical point of view is self-evident. It results from an attempt to correct the abuse of favoritism in the assignment of duties. The effect produced is that of the application of a

remedy to a symptom of disease rather than the eradication of the fundamental cause of its existence.

Regulations governing the employment of veteran soldiers and firemen are another stumbling block. The physical efficiency of a man who, to qualify as a civil war veteran, must be at least 60 years old, cannot be great, yet under the law it is obligatory to appoint him in preference to other eligibles, and it is extremely difficult, if not impossible, to secure his removal on the ground of physical or mental incompetency. The effect of his incompetence on the efficiency of his associates who receive the same wages is so serious that it would be far better to retire him on a pension designated as such.

The second obstacle to efficiency to be considered is the procedure required by fiscal authorities. Up to the present time, to all intents and purposes, economy has been considered synonymous with efficiency in municipal affairs. Conservation of funds has been the only measure, if any, that has been applied in judging efficiency. Expenditures have been practically uncontrolled except by the limit of departmental appropriations. This has naturally resulted in impairing the adequacy of available funds by abuse of expenditure privilege. To improve these conditions there has been instituted within the last few years in a number of cities, notably, New York and Chicago, a form of financial control known as the segregated budget. Briefly, the segregated budget provides for the purchase of labor, material and equipment by detailed appropriation of funds for definitely specified purposes. Every such appropriation is supplemented by a supporting schedule fixing the amount of each item of contemplated expenditure. No appropriation may be exceeded and no change in contemplated expenditure may be made without the consideration and approval of the fiscal authorities who originally established the amounts. The tendency of the segregated budget is to centralize, unduly, in fiscal authorities, the control of administrative detail greatly to the detriment of the efficient performance of work.

As applied to labor forces, this form of control not only arbitrarily fixes the number of incumbents and the rate of per diem wages for each grade of service, but makes impossible an increase in the number regularly employed or a modification of rates for the class or for the individual employee without the censorship of the highest city officials. As will be seen, this allows for no exercise of discre-

tion by the administrative head of a department or bureau, either in rewarding efficiency or penalizing inefficiency.

Like many other efforts to apply corrective measures to existing abuses of public service, the segregated budget is an attempt to ameliorate the evil by placing severe restrictive conditions upon the manner in which public moneys may be expended. That the fallacy of the theory has not become widely evident is due to the fact that those responsible for its introduction are primarily concerned with the financial side of municipal operations, and fail, as do most of the public, to comprehend that what is needed is control over results secured by expenditure of public moneys, which involves a consideration of work values.

The third obstacle to efficiency is to be found in special legislation. The municipality generally pays from 20 per cent to 50 per cent more for common labor than does the contractor. The hours of daily service are also shorter. The responsibility for this condition lies with our legislative bodies, either state or local, whose enactments have undoubtedly been inspired by considerations of political expediency. Any class rate of wages, either high or low, fixed by statute or resolution, without reference to ability or performance, is bound to foster inefficiency.

In the average municipality there is a strong tendency to segregate work strictly along functional lines, and assign a separate jurisdiction for each. This is frequently governed by charter provisions. Up to a certain point segregation may be desirable, but beyond that point it becomes unwise. For example, it will generally be found that, in the same territory, repairs to highways, cleaning of highways, repairs and cleaning of the sewer system and maintenance of the water supply system are each under the jurisdiction of a separate department or bureau. In each of these four functions there are well defined activities that require an entirely different procedure. But note also that in each of these same functions are included other activities which dovetail into one or more of the other functions. Here there is bound to be lack of co-operation, and consequent friction in the performance of work, where the jurisdiction is divided. To illustrate: A street cleaning department may use the sewers for facilitating snow removal. Care is not exercised in separating debris, and the sewer becomes blocked. No concern is felt by the street cleaning department. A lazy street sweeper disposes of a pile of

rubbish by pushing it into the inlet of a catch basin. It costs three times as much to remove it from the catch basin as from the street surface. Refuse from catch basins and sewers as well as from highway repairs and street sweeping in the same area are hauled to dumps by independent transportation forces. Water from hydrants is used for sprinkling streets, flushing pavements and sewers and repairing macadam highways. Careless use results in waste of water, frozen hydrants and remarks from the water department. A water main bursts, washes out an underground channel, the sewer and the street surface cave in and three separate forces are called to the rescue. Part of the maintenance of macadam and dirt roads runs so close to the function of street cleaning as to make it impossible to tell where one ends and the other begins. The problem of jurisdiction is not a simple one to solve, but in its present form unquestionably induces great inefficiency.

The fourth cause of inefficiency lies in the influence exerted by political interests. The average caliber of municipal labor is always lower than should be attracted by the higher wages paid. It seems quite possible that this may be occasioned by the disinclination of ambitious and competent labor to remain in a service where, as will be seen later, recognition is based largely if not entirely on political considerations.

Of all the factors which are not within the control of an administrative official, there is perhaps no single one which militates more seriously against municipal efficiency than the effect of political influence on the discipline of a labor force. When any employee, be he laborer, foreman or superintendent, is in a position to do as he pleases and snap his fingers in the face of his superior officer if rebuked, the efficiency of the entire force to which he may be assigned is gone. It is no uncommon occurrence for a foreman to suspend a laborer, request his discharge, and then be instructed to reinstate him and "leave him alone." After such a performance how can it be expected that the foreman can compel the obedience of the remainder of his force?

The appointment and retention of incompetent and undesirable employees can generally be traced to political influence. The uncertainty of tenure in the higher positions, due also to this reason, has a direct effect on the efficiency of all subordinate forces. The employment of labor greatly in excess of actual needs may be ascribed to the same cause. Especially is this true in respect of foremen and assistant foremen.

Vehicular service, when hired, is an especially fruitful field for the politician. The manifestations of inefficiency appear in the form of decrepit horses, dilapidated vehicles, untrustworthy drivers and insubordinate service.

These are some of the extraneous difficulties which face the official who is honestly anxious to secure efficiency from his labor forces.

With regard to the causes of inefficiency which fall within the control of an administrative head, a complete enumeration would produce a lengthy catalogue. Confining attention to a somewhat general classification, it may suffice to mention:

1. Inefficiency in the supply, distribution and use of material, plant and equipment.
2. Inefficiency due to lack of knowledge concerning work conditions and requirements.
3. Inefficiency due to lack of predetermination in the assignment of work.
4. Inefficiency due to improper organization of force.
5. Inefficiency due to improper methods and unsystematic procedure.
6. Inefficiency due to lack of discipline.
7. Inefficiency due to lack of standards by which performance may be judged.
8. Inefficiency due to inadequate and inaccurate records of performance and conduct.

It is obvious that the output of productive labor will be directly affected by the efficiency of supply, distribution and use of material, plant and equipment. Municipal corporation yards and shops are, as a rule, improperly located, and, in addition, are paradoxically both insufficient in number and excessively numerous. To illustrate: In the City of New York, some five or six departments, in some cases bureaus of the same department, each maintain separate yards in practically the same territory, and yet the yards of any one department are generally insufficient to serve effectively its needs in that district.

Almost without exception municipal yard and shop equipment, as well as field equipment, is sadly inadequate as well as antiquated. Supplies which should be always in stock are suddenly found to be entirely wanting.

Information regarding the status of current work is sadly deficient. There is scarcely a single maintenance bureau that does not depend largely, if not entirely, on its "complaint book" to provide work for its gangs. The length of the complaint list is often an excellent index of efficiency. In practically no municipal department is information concerning the work to be done or the conditions that will govern its performance systematically ascertained and advantageously utilized. Instead of daily assignment of carefully predetermined work, a foreman is given a certain territory and told to "keep it in shape," or handed a bunch of complaints and told to "fix 'em up."

Municipal labor forces are as a rule very poorly organized. The proper relation between labor and supervision for a given class of work is seldom maintained. A foreman may be found in charge of two or three men, where the effective prosecution of the work demands at least twice that number. Again, it may be found that the foreman has a force far greater than can possibly be used to advantage on the work in hand. Both of these conditions cause a restriction of output. Whenever the current volume of work is greater than this restricted output, the neglected work becomes a source of public complaint.

It would be exhausting to attempt a delineation of faulty methods and procedure of municipal work. They are all due to the fact that there is no penalty or premium on performance.

The most common, and at the same time, most serious loss of labor efficiency is due to waste of time. Lack of discipline is responsible for this condition. No administrative official can truthfully deny knowledge of the enormous waste of time, wherever it may occur in his labor forces, without acknowledging, thereby, his utter incompetence.

Without a knowledge of the results that ought to be obtained as an equivalent for the time and money spent, the municipality cannot judge of the efficiency of its employees. Nevertheless, standards of work for purposes of comparison have rarely been established.

The lack of accurate work records prevents such a comparison even if standards be established. The difficulty of securing accurate records of performance is surprising. Unless carefully watched, and sometimes even then, foremen will exaggerate in reporting their

actual accomplishment, and, what is worse, the proper check is seldom established. More often than might be expected, the efficient performance of work is subordinated to accounting convenience. Systems of records planned to meet financial needs are frequently put into force without considering the effect upon the work procedure. In fact, it is quite generally true that municipal records fail to reflect the very thing which is the cause of their existence. Labor, material and equipment are never purchased, except for the reason that by their use some desired result may be accomplished, yet in municipal records the relation between results and expenditures is hardly ever shown.

A contrast to the above inefficient features of municipal work may be drawn by considering, in brief outline, the corresponding conditions surrounding the private contractor's work.

The contractor is more or less of a specialist, at least for the time being, in that the scope of his operations is generally not as extensive as that of the municipality. His problem, as a whole, is therefore one of lesser magnitude. He does, however, what the municipality does not—he considers his problem as a whole as well as by separate features. He studies his organization, plant and equipment as an entire unit, which must be designed to produce effective results by co-ordination of its different parts. He is not handicapped in employing labor by any civil service restrictions. He strives to get and keep the most competent, discharging at once those who cannot make good. He measures the competency of his labor by the results produced. In the event of an increase in force, he is under no obligation to re-engage former employees, although, as a matter of fact, he strives to if they have served him well. He often allows his subordinates to "hire and fire" their own men, but holds them for results. The employee is expected to do whatever may be necessary and expedient, irrespective of his title. The methods of financial control used by the contractor are relatively simple. On account of the fact that he is paid for results, he requires results in return for expenditure and maintains a control accordingly. All of his expenditures are paid out of one fund—his bank account—but he segregates, in great detail, the record of expenses in order that he may know exactly the unit costs of his work. These he can compare with his previous experience and with the price which he receives for his work. In the matter of wages paid, the contractor, while by no means unrestricted,

has still a much wider latitude than the municipal official. He can at least offer a bonus for increased output.

The tendency of the contractor is to strain the relation between wages and output to the breaking point in one direction while the municipality allows it to be strained to nearly the same degree in the other. Neither policy will produce the best efficiency; but the one adopted by the contractor has the advantage of economy.

The contractor may feel the deleterious effect of political influence, but in such case, there is always a *quid pro quo* whereby he gains, indirectly, at least, some advantage.

In undertaking work the contractor studies in advance the conditions to be met and provides for the supply and distribution of material, plant and equipment in a way to facilitate to the utmost his operations. Time is with him a most important consideration and he therefore eliminates causes of delay wherever possible. His discipline is strict; he permits no waste of time that he can prevent. That discharge will promptly follow the discovery of loafing is well instilled into the minds of his employees by knowledge born of experience. He invests without hesitation in labor-saving plant and equipment whenever he can be assured of a reasonable saving thereby. He utilizes his forces in the most advantageous manner by shifting them from one class of work to another as desired, and he does not functionalize his work beyond the point where it is effective. He organizes the units of his force to produce the best economic results. He distributes to these the maximum amount of work, employing the minimum number of units consistent with the progress desired. He knows how much work a given force should be able to do in a given time and watches to see that the record of performance fulfills this condition. The records cannot be falsified without his knowledge, since he is paid for results as measured by the other party to the contract. This is an important fact to bear in mind.

If the fiscal department of the average municipality should concern itself with the results of its per diem labor performance to the extent that it does with the results of contract performance, a vast improvement in efficiency would be inevitable.

Conceding that the contractor maintains an advantage over the municipality on practically every point mentioned, what is the compelling force that underlies his achievement, which is lacking in the municipal government? All of the conditions inducing muni-

cipal inefficiency spell but one thing to the intelligent contractor. That thing is certain and sometimes serious personal cash loss. On the other hand, the elimination of the conditions which foster inefficiency means to him equally certain personal profit. Note well the situation—personal responsibility—only two possible results: certain reward for efficiency, certain penalization for inefficiency—behind, the prod of financial loss; ahead, the incentive of financial success. The contractor can always translate the profitableness of his operations into dollars and cents. The municipality cannot, until the value to the community of public convenience, comfort, safety and health can be determined on a financial basis. The people in their capacity as sovereign cannot therefore realize the financial burden that they invariably impose upon themselves in their capacity as subject, by permitting inefficient performance on the part of their public servants. Municipal officials having always on this account the opportunity to shift the burden of loss due to inefficiency upon the ignorant public without the likelihood of discovery, feel no such personal concern for their actions as does the contractor.

The remedies then are obvious, at least in their general statement if not in the actual method of application:

1. Provide a practical and effective method of selecting competent personal service in every grade.
2. Establish a jurisdiction that will facilitate the performance of all inter-related functions.
3. Define individual responsibility clearly and insist on strict accountability.
4. Institute strict disciplinary measures.
5. Establish the standards to be attained.
6. Permit great latitude of administrative discretion.
7. Improve individual performance by educational methods.
8. Provide an accurate record of individual accomplishment.
9. Measure ability by results of performance.
10. Make the punishment for failure severe.
11. Make the reward for success attractive.
12. Publish the comparison of actual results with established standards.

Does this seem theoretical? Does it seem impractical? In 1910 the Commissioner of Accounts of New York City, at the invita-

tion of the Borough President of Manhattan, undertook the reorganization of a part of the maintenance force of the Bureau of Sewers. Its organization at that time consisted of 24 sewer cleaners and 38 horses and carts, divided into 12 gangs each in charge of a foreman. The cost of cleaning sewer basins approximated \$4.00 per cubic yard. Nearly all of the causes herein cited as producing inefficiency were found in greater or less degree. The work of improvement was conducted as far as possible along the lines above indicated. Within a few months the number of gangs and foremen was reduced from 12 to 4, the sewer cleaners from 24 to 16, and the horses and carts from 38 to 14. The total output was increased 100 per cent, wages increased 15 per cent and a saving in annual expenditure effected amounting to \$35,000, or 43 per cent. The average cost of cleaning per cubic yard was reduced from \$4.00 to \$1.45, with occasional costs as low as \$0.76. The net result was an increase in efficiency of 275 per cent.

Similar work of improvement, but on a much larger scale, has recently been inaugurated by the same Commission co-operating with the President of the Borough of Queens, New York City.

For several years the Bureau of Street Cleaning, Borough of Richmond, New York City, has been steadily improving in efficiency by the application of these fundamental requirements.

The entire problem of securing efficiency with municipal labor is one which requires much study and patient effort, study of minute detail as well as broad principles, study of human nature as well as individuals. Good government reform might well take a lesson in efficiency from the spoils system of partisan politics with its prompt personal rewards for service rendered.